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Abstract: This working document is part of the series Crisis and Rural Poverty in Latin America, and summarizes the contributions of 11 studies that discuss the possible effects of the current crisis in the rural population and particularly in the rural poverty of Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Colombia, Brazil, Bolivia, Dominican Republic, Paraguay and Peru.

This paper seeks to answer the question of how the current crisis will affect the rural population, particularly rural poverty, of the 11 countries mentioned above. These countries were selected using two criteria: they had high levels of rural poverty (poverty incidence higher than the regional average) or were countries that account for the largest numbers of rural poverty in the region (Brazil and Mexico).

Besides accounting for the effects of the crisis, this document reveals public policies implemented by governments to mitigate the impacts as well as points out the gaps of the chosen measures in order to address the effects and reduce their impact on the poorest population.

Keywords: Crisis, financial, poverty, rural, Latin America, economy.

Crisis and rural poverty in Latin America

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This document is part of the series Crisis and Rural Poverty in Latin America and summarizes the posible effects of the current crisis in the rural populations of 11 countries in the región: Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Colombia, Brazil, Bolivia, Dominican Republic, Paraguay and Peru (Chiapa, 2009; Rosada & Bruni, 2009; Villa & Lovo, 2009; Delgado & Salgado, 2009; Baumeister & Rocha, 2009; Perfetti, 2009; Buainain & Neder, 2009; Baudoin, 2009; Del Rosario, Morrobel & Martínez, 2009; Ramírez & González, 2009; Yancari, 2009).

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Executive Summary

The Global Financial Crisis will directly affect Latin America, although the consequences for each country will differ. In this adverse setting, an analysis is needed of how the continent's rural sector, particularly the rural poor, will be affected. This document attempts to respond to the possible outcomes for the rural population of the present financial crisis, particularly the rural poor of the following 11 countries: Bolivia, Brazil, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay and Peru.

Two criteria were used to select the countries studied in this report: countries that have high poverty rates (incidence of poverty above the regional average) or those countries identified as having the largest number of rural poor in the region (Brazil, Mexico).

The effects of the crisis on the 11 countries studied

The financial crisis will be stronger than anticipated, and it is possible that its effects will last longer than originally thought. However, it is arriving during a five-year period that has witnessed the fastest rate of expansion (and probably most sustained) in the last 30 years in Latin America, with an average growth rate of 5% between 2005 and 2007 (Global Economic Prospects 2008, World Bank), and when important goals have been achieved to reduce poverty and indigence (ECLAC, 2009)[1].

The financial crisis will be felt most by those countries and households with least resources in at least three ways: (a) reduced incomes as a result of fewer labour opportunities (caused by a drop in demand or investments, particularly for infrastructure); (b) lower incomes owing to reductions in remittances from migrants, and; (c) reductions in public spending, especially in the social area (which may affect the poorest inhabitants via reductions in their income or consumption).

1 Particularly urban poverty and levels of indigence.

The biggest effects will be felt in urban areas. The level of disconnection of rural economies with the different goods and factors markets means that the financial crisis will have less affect on the rural sector than on urban areas. The main disadvantage of rural economies during boom periods, has today become their main relative advantage in this period of crisis, particularly if we take into account that rural territories have proved to be relatively less responsive to economic growth than urban areas, and it is likely that a slow-down in economic growth may have moderate effects on the rural poor.

The incidence of rural poverty will possibly increase. The financial crisis may push "at-risk" rural households over the poverty line, although possibly with reductions in rural inequality (as those who are relatively better off are likely to lose more than the poor) and the poverty gap (as those who are at risk will become poorer but will remain relatively close to, albeit below, the poverty line). Such households are more dependent on labour income and the growth of urban markets.

Almost all countries have posted a drop in the flow of remittances. This reduction has been greater in the countries of Central America (El Salvador, Guatemala, Honduras, Mexico and Nicaragua) together with the Dominican Republic, where the percentage of households receiving remittances represents 20% of all households at national and rural level, making up 25% of household income. In the countries of South America, the effect is more moderate[2].

The greatest negative impact is the drop in overseas demand for agricultural and mining products as well as those from the industrial sector (textiles, especially those produced by maquilas), leading to fewer jobs. There have been clear consequences for urban employment reported in each country (in the case of the industrial sector and part of the mining sector), which will lead to changes in the composition of rural income. For different segments of those affected by changes in employment, agriculture will become a refuge during the crisis.

2 In fact, in the case of Brazil, Paraguay and Peru there has been no discernible effect.

Although the countries generally have favourable fiscal accounts, their capacity to maintain or increase public spending in order to counteract the effects of the financial crisis, depends on the full scale of the crisis and its duration. The majority of countries have established countercyclical policies to offset the crisis, which include maintaining or increasing social spending. However, the fiscal and financial capacity to continue these policies is still an issue open to debate. Moreover, it is likely that such policies will focus on programmes to assist new groups of poor, who are likely to be urban rather than rural.

Measures implemented and their deficiencies

As a consequence of the global financial crisis, the countries of the region reacted by announcing and implementing a diverse range of measures, most centred on the expansion of countercyclical fiscal policies to combat recession: the reduction of taxes and increased spending.

The majority of countries chose to increase spending or public investment, rather than reduce taxes or increase direct subsidies. The majority of countries have taken action in the infrastructure sector (housing and public works, especially road building), given the impulse that construction provides to the economy and the creation of jobs. Furthermore, most countries have reinforced their social programmes, highlighted by the widening (or maintenance) of the amount of attention given to conditional cash transfer programmes to minimise the effects of the crisis in the poorest zones[3].

In countries where specific anti-crisis policies have been created for the agricultural sector, such as Peru or Nicaragua, such policies have been reduced to the creation of temporary jobs, or help to cover the production costs (inputs) of agricultural producers.

[3] Progresa/Oportunidades in Mexico, Bolsa Familia (Family Grant) in Brazil, Juntos (Together) in Peru, Familias en Acción in Colombia, Red Solidaria (Solidarity Network) in El Salvador, Red de Protección Social (Social Protection Network) in Nicaragua, PRAF (Family Assignment Programme) in Honduras, Solidaridad in the Dominican Republic.

Areas for taking action

In all of the countries studied there is a need to encourage assistance policies for small farmers and subsistence farming. The objective of such policies is to improve the ability of these activities to act as a refuge during the crisis and to help revitalise the sector. Consequently, the policies being developed offer the opportunity to promote and renew rural territories.

In spite of the urgency of dealing with the short-term effects of the crisis, there is a need to complement these measures with medium-term actions that are able to: (a) improve protection mechanisms for rural households, and; (b) establish new opportunities to broaden strategies for the diversification of rural incomes in the future.

Based on studies for each country, the following are proposed as key areas for interventions in the short term: compensation policies to counteract reductions in remittances, temporary employment strategies and social policies. These are all measures that can be implemented quickly to deal with the consequences of the financial crisis and avoid increased poverty levels (and reductions in the transfer of household assets, so preventing households from falling into poverty traps).

However, the opportunity should not be lost to complement these short-term mitigation measures with medium-term actions aimed at revitalising rural territories. Policies are needed that are focused on the development of new alternatives for the generation of agricultural and non-agricultural income, and which don't abandon the linkages between different programmes. An example would be job creation programmes that include production training to promote the creation of rural businesses. Such policies should focus on poor and at-risk areas which, as we have seen from the country reports, are easily identifiable.

Unfortunately, coordination between transitory support programmes and programmes to promote family agriculture (when they exist) has not been achieved. The later seek to improve small-scale agriculture, which translates into improved options for food, increased income as a result of goods sold, and less dependency on social policies, achieved through training, technical assistance and business advice programmes: this implies implementation strategies that are complex to set up and run, and which require medium- and long-term implementation periods. It is these types of policies that can help rural households overcome poverty.

The challenge for the public sector

The precarious approach of public institutions to rural territories and the agricultural sector makes it hard to imagine that complex policies combining short-term mitigation strategies with more long-term interventions will ever be developed. However, if such policies are not developed within a context in which States are seeking to invest (as part of a framework of countercyclical policies) it is difficult to see them appearing within other contexts.

The challenge is to make a joint effort to mobilise resources towards policies that promote and support small-scale agriculture and family agriculture, and the development of new non-agricultural rural activities, and not just implement temporary mitigation policies.

In order to face this challenge, there is a need for clear leadership that lobbies for resources in public sector budgets and anti-crisis plans, and which does so using innovative ideas. In an ideal world, the natural leader for this task should be the ministries of agriculture and/or rural development. However, in most countries these are weak ministries with a limited capacity for carrying out this role. We therefore also face the challenge of generating capacities in these agencies to coordinate coalitions and mobilize ideas and resources for a more complex and sustained action geared towards reducing rural poverty, starting from the rural.

Introduction

The Global Financial Crisis will affect different countries along with their rural sectors in a variety of forms. A central concern is what will happen to Latin American rural territories, and particularly the rural poor, within the context of this crisis. This document has summarised the contributions of 11 studies that have discussed the possible effects of the present crisis on the rural population, particularly the rural poor in Bolivia, Brazil, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay and Peru (Baudoin, 2009; Buainain and Dantas, 2009; Perfetti, 2009; Delgado and Salgado, 2009; Rosada and Bruni, 2009; Villa and Lovo, 2009; Chiapa, 2009; Baumeister and Rocha, 2009; Ramírez and González, 2009; Yancari, 2009; Del Rosario, Morrobel and Martínez, 2009).

Each one of the 11 documents focused on four issues: the characteristics of rural poverty in each one of the countries; the main affects of the financial crisis on the rural territories of each country; a review of the principal measures adopted by governments to mitigate the crisis (anti-crisis plans); and the main recommendations for policies and actions that would lead to the effects of the crisis at least not worsening the situation of rural populations. It should be noted that the 11 case studies present the work of a team of researchers regarding an on-going process, and thus contain a large amount of speculation, in the best sense of the term. As we shall see further on, there is still a lot of doubt as to the mechanisms that will transmit the financial crisis and of its real effects on different rural environments.

The 11 countries analysed were selected on the basis of two criteria: countries that had high levels of rural poverty (an incidence of poverty higher than the regional average) or countries recognised for having the highest numbers of rural poor in the region (Brazil and Mexico). In each case, a group of consultants worked on short documents based on a common index and prepared a collection of quantitative information as a back-up, also based on a common scheme[4].

[4] See annex 1 for details of the consultants. All the documents produced are available to those who wish to examine them.

This report presents a crosscutting perspective of the 11 studies. In the first section we shall briefly examine the main channels through which the financial crisis could affect rural groups that are poorer and more at risk; this will be followed by the main reactions to the crisis by governments, and finally a series of proposals regarding issues and areas of intervention where an influence could be exerted to generate an agenda that favours the reduction of rural poverty, and not just actions to mitigate the effects of the crisis.

1. Latin America and the Global Financial Crisis

1.1. The context

The present financial crisis surprised Latin America during a historic phase of prosperity, a five-year period that registered the fastest (and probably most sustained) growth in the last 30 years, with an average growth rate of 5% between 2005 and 2007 (World Bank GEP, 2008), and where important goals have been met regarding the reduction of poverty and indigence (Economic Commission for Latin America and the Caribbean, ECLAC, 2009)[5]. As shown in Table 1, poverty in Latin America dropped from 45.7% in 1994 to 34.1% in 2007, and extreme poverty from 20.8% to 12.6%. Although these achievements as regards poverty reduction are certainly important, rural poverty and indigence levels have remained high in Latin America (52.1% and 28.1% respectively).

Table 1. Latin America: % of population living in poverty and indigence

	Total poverty			Extreme poverty		
	National	**Urban**	**Rural**	**National**	**Urban**	**Rural**
1994	45.7	38.7	65.1	20.8	13.6	40.8
2007	34.1	28.9	52.1	12.6	8.1	28.1

Estimates based on 19 countries: Argentina, Bolivarian Republic of Venezuela, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
Source: Generated by the report authors based on information from ECLAC (2008a).

[5] Particularly urban poverty and indigence levels.

An important part of the region's growth in recent years has been based on the high price of commodities and in the demand emanating from the developed countries (Izquierdo et al, 2008; Calvo and Talvi, 2007). This has allowed the majority of countries to generate fiscal surpluses, sustained increase of international reserves, and relatively low and/or controlled inflation. The reasonably good macroeconomic situation of the majority of countries has become a key characteristic in order to understand the effects of the present crisis. The countries included in this study are not the exception; as can be seen from Table 2, all countries increased their international reserves thanks to the economic boom period. However, it should be noted that the countries of Central America are relatively small and cannot easily apply countercyclical policies, owing to the level of their reserves and GDPs. These countries will have relatively limited room to increase spending in order to offset the recession caused by the present financial crisis.

Table 2. International reserves and GDP of the 11 countries studied (In millions of dollars)

	2005	2006	2007	2008- IV trimester	National GDP
Bolivia	1.795	3.193	5.319	7.615	11.336
Brazil	53.799	85.839	180.334	207.205	1.313.902
Colombia	14.957	15.440	20.955	23.169	207.780
Dominican Republic	1.929	2.251	2.946	2.495	41.315
El Salvador	1.833	1.908	2.198	2.413	20.373
Guatemala	3.782	4.061	4.320	4.726	38.961
Honduras	2.330	2.633	2.733	2.505	12.322
Mexico	74.110	76.330	87.211	87.063	1.081.358
Nicaragua	730	924	1.103	1.115	5.726
Paraguay	1.297	1.703	2.462	2.999	11.991
Peru	14.120	17.329	27.720	30.795	107.497

Source: ECLAC (2008b) Country reports.
Generated by the report authors

This positive period together with the persistence of high rates of poverty, allowed the States to allocate greater public funds for social policies. In the countries studied, we can see that public social spending as a percentage of GDP rose or remained stable in the majority of cases (and given that the GDP of the countries has grown in absolute terms, this implies more resources in absolute terms for such policies), offering a minimum level of financial guarantees, stability and greater institutional legitimacy to social policies.

Table 3. Public Social Spending as a percentage of GDP, Latin America and 11 countries studied

	2003	2005	2006
Bolivia	13.6	18.6	16.6
Brazil	19.1	22.1	23.0
Colombia	13.7	13.4	13.6
Dominican Republic	7.4	7.1	8.5
El Salvador	7.1	n.a.	11.6
Guatemala	6.5	6.3	7.7
Honduras	13.1	11.6	11.4
Mexico	10.5	10.2	10.6
Nicaragua	8.8	10.8	11.1
Paraguay	9.0	7.9	8.7
Peru	8.0	8.9	8.5
Latin America	15.8	15.9	16.1

n.a. Not available.
Source: ECLAC (2007).
Generated by the report authors

However, during the period prior to the crisis, from the end of 2007 up to mid-2008, many Latin American countries (if not all) witnessed significant inflationary trends, owing to the escalating price of food and oil (and its derivatives). In 2008, the countries in the region that had maintained an inflation-goal regime (such as Brazil, Colombia, Mexico, Paraguay and Peru) or an inflation target range (including Guatemala and Honduras) witnessed higher inflation than that forecast by the respective central banks (see Table 4).

Table 4. Total inflation and food price inflation in the 11 countries studied

	Inflation		Food price inflation	
	2007	2008	2007	2008
Bolivia	11.7	11.8	n.a.	n.a.
Brazil	4.5	5.9	10.2	12.4
Colombia	5.7	7.7	8.5	n.a.
Dominican Republic	8.9	4.5	8.8	12.4
El Salvador	4.9	5.5	6.2	12.0

Guatemala	6.8	11.4	n.a.	n.a.
Honduras	8.9	11.3	6.7	16.9
Mexico	3.8	5.8	6.0	8.2
Nicaragua	16.9	13.8	16.2	28.4
Paraguay	6.0	7.5	9.0	7.5
Peru	3.9	6.2	6.0	9.5

n.a.. Not available
Source: Country reports.
Generated by the report authors

The highest inflation figures were for food. In countries such as El Salvador, Honduras and Nicaragua inflation in 2008 doubled from its level in 2007. In the Andean countries, Colombia and Peru, food price rises were more moderate, although still higher than overall inflation. It is highly likely that in this period, due mainly to food inflation, conditions for the poor would have worsened, particularly in urban areas, as a result of the higher cost of food. It is also certain that such inflation is linked with the increasing cost of agricultural products (including soybean, corn, sorghum, rice and wheat), which would have had a positive impact particularly for rural inhabitants dedicated to farming activities and who sold such products on the market[6].

Up to mid-2008 the main concern of Latin American countries was to control inflation. The present financial crisis resolved this problem, but also caused new sources of concern regarding the sustainability of economic progress in the region.

From January 2009 onwards there was a slowdown in inflation levels compared to the same period in 2008. This climate of lower inflation has allowed the central banks of each country to lower interest rates, ensuring the necessary liquidity for public and private investments within the context of the financial crisis.

1.2. The crisis

Although there are uncertainties as to the scale and duration of the global financial crisis, it’s clear that it will have a significant and differential impact on the countries of

6 It is important to take into account that in each country the group of beneficiaries of these high prices may be different, depending on the agricultural structure and the relationship of producers with different markets. There are also indirect effects: in Peru, for example, as a result of higher prices for wheat and rice, traditional potato producers benefited from much improved prices.

Latin America. Each new report and projection for GDP growth rates underlines an increasingly difficult scenario, at least for 2009. The latest figures posted by different international organisations (World Bank, ECLAC, IMF), offer lowered expectations for GDP growth in the region, and recognise that various countries will enter a recession, such as the cases of Brazil, Mexico and Paraguay. Table 5 shows the changes in growth projections both for the region, as well as the 11 countries of the study.

Table 5. Changes in projections for GDP growth

Update of growth expectations for the region's countries (ECLAC)			
	dic-08	mar-09	Dic-08 / Mar-09
Bolivia	3,0%	3,0%	0,0%
Brasil	2,1%	-1,0%	-3,1%
Colombia	2,0%	0,5%	-1,5%
Dominican Rep.	1,5%	1,5%	0,0%
El Salvador	1,0%	0,5%	-0,5%
Guatemala	2,0%	1,5%	-0,5%
Honduras	2,0%	1,5%	-0,5%
Mexico	0,5%	-2,0%	-2,5%
Nicaragua	2,0%	1,0%	-1,0%
Paraguay	2,0%	-0,5%	-2,5%
Peru	5,0%	3,5%	-1,5%

Source: Preliminary overview of the economies of Latin America and the Caribbean, ECLAC. (2008) and Press release update (2009).
Generated by the report authors.

Update of growth projections for the region (World Bank, IMF, ECLAC)				
	2008	mar-09		2008 / Mar-09
World Bank[a/]	1,9%	-0,6%		-2,5%
IMF[b/]	3,2%	< -0,0%		< -3,2%
ECLAC[c/]	1,9%	-0,3%		-2,2%

a/ World Bank, Global Economic Prospects 2009 (Dec 08), Update (Mar 09)
b/ Regional Economic Outlook: Western Hemisphere "Grappling with the Global Financial Crisis" (Oct 08); last press release (26 March 2009)
c/ Preliminary overview of the economies of Latin America and the Caribbean (Dec 08), Press release (1 April, 2009)
Generated by the report authors.

The most recent estimates reflect a significant change in the belief that the effects of the crisis would be more moderate and that Latin America would continue its course of economic growth. It is now accepted that the crisis will have harsher and, above all, longer lasting effects on the region's economies. Today it is clear that, given the level of integration of Latin America's economies with those of the developed world, this will be one of the region's most affected within the developing world, although the brunt of the crisis will be felt by developed countries (see Table 6).

Table 6. Expected growth performance at global level

		nov-07	nov-08	mar-09	Variation Mar-09 / Nov-07	
					Slight change	Var %
World		3,6%	1,9%	-0,6%	-4,2%	-117%
Developed Countries						
	OECD	2,6%	-0,3%	-3,0%	-5,6%	-215%
	Non OECD	5,0%	3,1%	-2,0%	-7,0%	-140%
Developing Countries						
	East Asia and the Pacific	9,6%	6,7%	5,3%	-4,3%	-45%
	Europe and Central Asia	5,7%	2,7%	-2,0%	-7,7%	-135%
	Latin America & the Caribbean	4,3%	2,1%	-0,6%	-4,9%	-114%
	Middle East & North Africa	5,3%	3,9%	3,3%	-2,0%	-38%
	South Asia	8,1%	5,4%	3,7%	-4,4%	-54%
	Sub-Saharan Africa	5,8%	4,2%	2,4%	-3,4%	-59%

Source: World Bank, Global Economic Prospects 2008, 2009, Update 2009 (March 2009)
Generated by the report authors.

1.3. Transmission channels of the crisis

Clarity and consensus exists as to the transmission channels through which the crisis will affect the region's countries: the drop in foreign demand for exports from Latin America; falling prices of some export products (such as copper) and lower trade volumes; reduced investment and capital flows; a tightening of credit (in credit volumes and finance costs), along with a fall in private remittance flows (from migrants). Essentially, the crisis will be channelled mainly through the linkages established with the most developed economies, at trade and financial level, and both at the level of national economies as well as household economies. There will be direct consequences for different economic sectors, in fiscal accounts and direct household income, either through the effects on employment or changes in remittance flows.

One of the advantages presented by the region is the diversification of its economic relations with the rest of the world, particularly over the last few years, where along with the United States and European Union, the Chinese market has become an important option for the export of mainly agricultural and mining products. In 2007, total Latin American exports were equal to US$ 762.6 billion, of which approximately US$ 51 billion –or 7%- went to China. Moreover, China is now the second largest export market for Peru and the second most important trading partner for Brazil, after the United States.

Table 7. Trade balance (FOB) for Latin America, 2007(millions of dollars)

	Trade Balance (FOB)		
	Exp.	**Imp.**	**Total**
Latin America	762.605	696.994	65.610

Source: ECLAC (2008a)
Generated by the report authors

The countries of Latin America entered the financial crisis with positive trade balances, although from mid-2008 these have been declining, particularly in El Salvador and Mexico, whose economies are much more dependent on the economies worst affected by the crisis, particularly that of the United States.

Table 8. Trade balance and the 10 principal export products of the 11 countries studied (millions of dollars)

	Trade Balance (FOB)			10 Principal export products
	Exp.	Imp.	Total	
Bolivia	4.458	3.455	1.004	Mining: natural gas, zinc, crude oil, silver, tin and its alloys, gold, precious metal jewellery Agriculture: soybean oil, flours from oleaginous fruits, coconuts, Brazil and cashew nuts
Brazil	160.649	120.621	40.028	Mining: iron, crude oil and its derivatives Agriculture: soybeans, poultry, beef, green or toasted coffee Industrial: aircraft, motor vehicles, car parts
Colombia	30.579	31.173	-594	Mining: crude oil and its derivatives, ferro-alloys, coal, gold Agriculture: green or toasted coffee, cut flowers and buds, fresh plantains (including bananas) Industrial: products made via polymerization and copolymerization, motor vehicles

Source: ECLAC (2008a). Country reports
Generated by the report authors

Table 8. Trade balance and the 10 principal export products of the 11 countries studied (millions of dollars) – continued

	Trade Balance (FOB)			10 Principal export products
	Exp.	Imp.		
Dominican Republic	7,237	13,817	-6,580	Agricultural: sugar and tobacco, coffee, cocoa
El Salvador	4,035	8,108	-4,073	Mining: oil derivatives Agriculture: green or toasted coffee, cane and beet sugar, Industrial: Ethanol, plastic articles, medicinal products, prepared and conserved fish, paper and cardboard cut-outs, lemonades and non-alcoholic soft drinks, paper bags, cardboard boxes and other paper and cardboard containers
Guatemala	7,012	12,482	-5,470	Mining: Crude oil Agricultural: green or toasted coffee, cane and beet sugar, fresh plantains (including bananas), nutmeg, mace and cardamoms, rubber and similar products, palm oil Industrial: medicinal products, artificial plastic articles, perfumery products, cosmetics, toothpaste and other toiletries.
Honduras	5,594	8,556	-2,962	Mining: natural gas, zinc, gold Agricultural: green or toasted coffee, fresh

				plantains (including bananas), palm oil Fishery: fresh, refrigerated, frozen, salted or dried shellfish and molluscs Industrial: Wires and cables with insulation, cigars, artificial plastic articles
Mexico	271,875	281,949	-10,074	Mining: crude oil Industrial: Television sets, motor vehicles and parts, electrical phone appliances and wiring, trucks and pick-ups, statistical machines, insulated wires and cables, electrical mechanisms for connecting, cutting or protecting electrical circuits, electrical generators
Nicaragua	2,313	4,078	-1,765	Mining: gold Agricultural: green or toasted coffee, beef, beet and cane sugar (unrefined), green peanuts (with or without shell), cattle (including buffalos), peas, beans, lentils and other dried legumes, milk and cream Fishery: fresh, refrigerated, frozen, salted or dried crustaceans and molluscs
Paraguay	5,463	6,008	-545	Agricultural: soybean, beef, ungrounded maze, flours from oleaginous fruits, soybean oil, cotton on the branch, oleaginous seeds, nuts and almonds, wheat, cattle and horse hides, leathery Industrial: tongued, grooved and planed boards
Peru	27,956	19,599	8,356	Mining: copper mineral and concentrates, gold, zinc, refined copper, oil and its derivatives, titanium, vanadium, molybdenum, tantalum, zirconium, lead Industrial: Beef meal (including fat residue) and fish meal, non-elastic underwear

Source: ECLAC (2008a). Country reports
Generated by the report authors

One effect of the fall in demand for the region's export goods, along with the drop in the international price of "commodities", is the slowdown of the most dynamic sectors of the economies, with strong repercussions for tax revenues and employment. The financial crisis will have important impacts on households where incomes are highly dependent on labour earnings. These impacts will be particularly significant in urban areas and specific sectors (mining, for example).

There is general consensus that one of the main problems caused by this crisis concerns the creation of new jobs, the loss of jobs and the precarious situation of existing jobs (employment quality). It is to be expected that the slowdown (and in some cases contraction) of economies will generate an increase in unemployment and underemployment rates, and increase the informal sector. This occurs owing both to changes in external demand for Latin American exports (prices and the quantities ordered) as well as financial restrictions (reduced credit facilities, rising cost of credit, reduced tax revenues), which can paralyse on-going projects and reduce private and public investments, particularly for production and social infrastructures.

A significant reduction in remittances sent from abroad is to be expected, adding to changes in the work situation of families. Although the impact of reduced remittances will vary from country to country in the region[7], according to World Bank projections, a contraction of remittances inflows of 2.5% of GDP could translate into an 18% increase in the poverty levels of those households that depend on remittances[8].

The fall in labour income and in remittances will also lead to a reduction in the growth of domestic markets. In some cases the fall in employment caused by the financial crisis may generate an inverse migratory effect, from the city to the countryside, or from non-agricultural employment to agricultural jobs, particularly small-scale. This return to the rural may become significantly important for minimising the effects of the crisis on poverty levels, converting agricultural subsistence activities into mechanisms that reduce the fluctuations in the consumption of at-risk households. In this sense, the agricultural policies of our countries play a key role in order to allow agriculture to become a shelter during this period of financial crisis, as well as a potential driver of development (World Bank, 2008; FAO, 2006).

Another risk factor linked to the climate created by the financial crisis concerns its effects on the social spending of Latin America's economies. An important proportion of the income and consumption of households in the poorest quintile of the economies depend on social programmes and public transfer programmes. Although at present the economies of the region have the financial resources to avoid cuts in social spending, maintaining such expenditure may well be dependent on the duration and severity of the crisis. A contraction of the economy (reduced tax revenues) and credit availability, as well as international cooperation (both for the public and private sector) may have a direct effect on the public spending ability of the countries (particularly on social spending).

7 In some countries, along with reducing family incomes, the reduction of remittances will also affect external accounts (in some of the countries of Central America, for example).

8 http://web.worldbank.org/WBSITE/EXTERNAL/BANCOMUNDIAL/EXTSPPAISES/LACINSPANISHEXT/0,,contentMDK:21724741~menuPK:508626~pagePK:2865106~piPK:2865128~theSitePK:489669,00.html

In short, the global financial crisis will be stronger than expected and it is possible that it will have longer lasting effects than anticipated. The effects of the crisis will be felt by countries and households with limited resources in different ways through at least three mechanisms: (a) lower income owing to reduced job opportunities (as a consequence of falling demand and reduced investments, particularly in infrastructure); (b) lower incomes due to reductions in remittances sent by migrants, and; (c) reductions in social public spending (which may affect the poorest through reductions in income or in consumption).

However, given the economic structure of the countries, particularly in their post economic-liberalisation phase, and the characteristics of the financial crisis, the biggest impact will be in urban areas. The high level of disconnection of rural economies with different goods and factors markets will lessen the impact of the crisis on the rural sector, particularly if we take into account that a large percentage of rural households receive their income from a range of sources (waged and informal activities, agricultural and non-agricultural work, remittances). Consequently, the main disadvantage of rural economies during boom periods, today becomes their main relative advantage during a time of crisis, above all if we consider that rural territories have proved to be relatively less susceptible to economic growth than urban areas.

2. The Global Financial Crisis and the rural sector in Latin America

It should be recognised that this crisis, as opposed to the problems caused by high oil and food prices, has a less direct relationship with the rural domain and the poorest sectors of the population. However, neither is there clarity regarding the relationship between the growth of national economies and poverty reduction in the 11 countries included in this study. Although it is true that in the countries with high growth levels reductions were recorded in rural poverty, such reductions were always inferior to economic growth and comparatively lower than the reductions in urban poverty[9].

Consequently, it could be hoped that a slowdown in economic growth may have a moderate affect on rural poverty[10], although it is also possible that the numbers of rural poor increase. This is mainly because the crisis may push the most at-risk rural households over the poverty line, although possibly with reductions in rural inequality (as those who are relatively better off will lose more than the poor) and in the poverty gap (because those at risk will fall into poverty, but will remain relatively close to, albeit below, the poverty line).

To analyse the effects of the financial crisis in rural zones and among the at-risk household group in the 11 countries studied, we have formed a description of the rural sector, the poverty it contains and the group of at-risk households.

2.1. Similarities and differences at rural level

In Latin America, different criteria are used by each country to define the rural. Most counties adopt criteria based on census or population[11] (such as Bolivia, Mexico and Peru). Other countries employ criteria where the sectoral importance[12] or territorial delimitations are used to define the rural. Colombia, for its part, uses mixed criteria combining territorial delimitation and the weight of agricultural activities in the population's income. In spite of such diverse approaches to define the rural, nine of the 11 countries included in this study, identified more than a quarter of their respective populations as being rural inhabitants[13] (see Table 9).

9 Except in Paraguay, according to the country reports, owing to the prices of the main agricultural export products such as soybean, wheat and oleaginous fruits.
10 As we shall see further on, it is likely that the effects will be concentrated in those sectors with greater levels of integration with goods and factors markets.
11 Areas with a population below 2000 or 2500 inhabitants.
12 Percentage of workforce employed in agriculture, participation of agricultural production in the territory's GDP.
13 Brazil and Mexico are the exceptions; however, both countries have over 20 million inhabitants living in rural zones, and an intense debate is taking place in both nations regarding the official definition of what is rural.

Table 9. Population of the 11 countries studied

	Total Population	% of population that is rural
Nicaragua	5.142.098	44.2
El Salvador	5.744.575	37.3
Paraguay	6.054.976	41.7
Honduras	7.748.230	54.4
Dominican Republic	9.361.000	36.1
Bolivia	10.227.299	33.6
Guatemala	12.987.829	51.9
Peru	29.124.335	34.8
Colombia	45.195.756	26.2
Mexico	103.263.388	23.5
Brazil	189.820.330	16.5

Source: Country reports
Generated by the report authors

Although each country considered in this study has its own particular conditions, such as GDP levels, population and economic activities14, they do share certain characteristics as regards rural areas:

- ***A dependence on agricultural activities[15],*** which in spite of having a decreasing importance in the income of rural households, still form a central part of household life and in the mechanisms used to manage risks (consumption by the producer, for example). In the countries in South America incorporated in this study, more than 75% of rural households are at least partially involved in agricultural activities[16], while in the countries of Central America, the percentage of rural households partially or totally involved in such activities never drops below 35%[17]. However, the percentage of income derived from informal agricultural activities fluctuates between 42% (the case of Paraguay) and 5% (the case of Mexico).

14 See Table A.1 of annex 2 to view some economic indicators for the countries studied.
15 Agricultural, fishing and/or forestry activities (including those activities related to the production of agricultural and fishing sub-products) as the main and/or secondary activity.
16 In fact, 85% of rural households in Peru are dedicated to agricultural activities.
17 Except in the case of the Dominican Republic, where the main economic activity both in rural and urban zones is tourism, which represents 9.8% of national GDP.

Thus we find that agricultural GDP (as an approximate calculation of rural production) represents less than 17% of national GDP in the countries of the region, reducing in importance when a country's GDP is greater: in Brazil, Colombia, Mexico and Peru, where national GDP is over a US$ 100 billion, agricultural GDP represents less than 9%[18].

Agricultural activities at multiple scales, where different scales of production exist side by side, from agricultural consumption by producers, commercial family agriculture (for the internal market), up to business agriculture of export and industrial crops (at medium and large scale). Rural households in Latin America tend to form linkages with different goods markets, with domestic markets, particularly those at local (or regional) level, being the most important for the poor and at-risk sectors of the population.

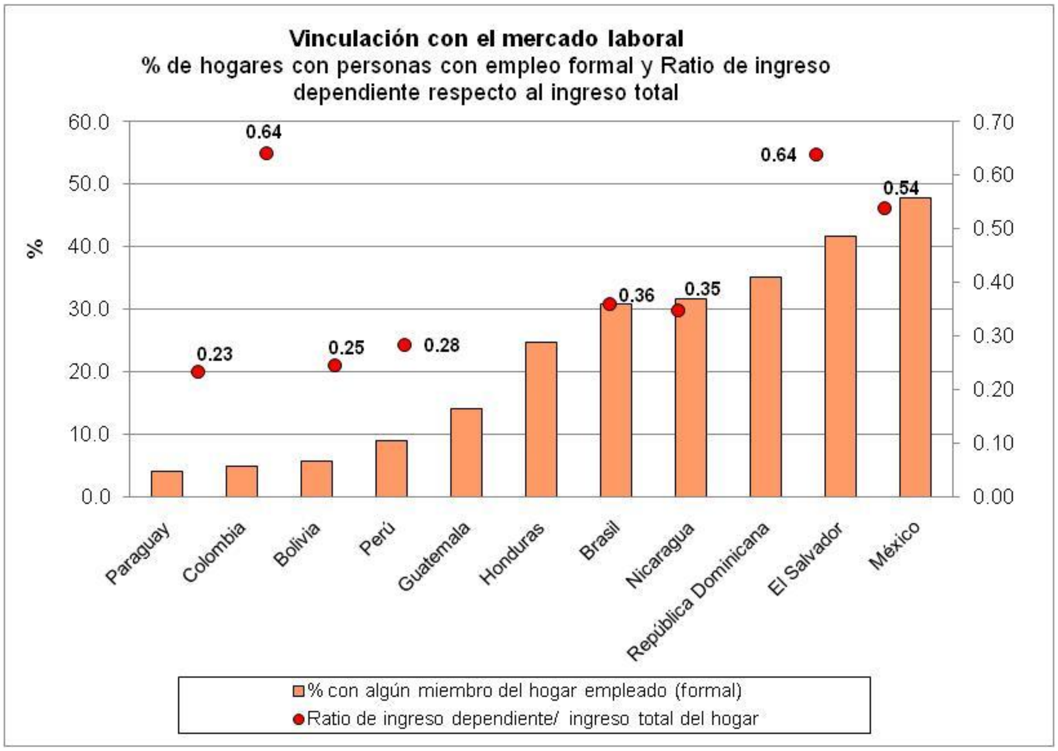
- ***Low level of access to public and private services.*** All indicators for access to public services (drinking water, sewerage, electricity) and private services (fixed-line telephone, mobile phones) indicate that rural households have limited access to such amenities, owing to limited investment policies for rural infrastructure, among other reasons. In El Salvador, for example, 50.5% of households in rural areas were found to have access to potable water, while in urban areas this figure stood at 86.2% of households. A similar situation was found concerning sanitary services, where 3.2% or urban households had no access to such services, compared to 17.7% of rural households.

- ***Integration with different goods and factors markets[19].*** Although there are a diverse range of relationships with the markets, in general, more than 40% of household consumption takes place in goods markets, and more than 35% of total agricultural expenditure takes place in supply markets[20]. Moreover, and as can be seen in figure 1, at least a quarter of rural household

18 Agricultural GDP is around 10% of national GDP in countries such as Guatemala and Honduras, where over 50% of the population is rural.
19 See Table A.2 of annex 2 for some social indicators of the countries studied.
20 Agricultural expenditure considers the cost of seeds, fertilizers, pesticides, labour rates and irrigation water

income is derived from the waged labour market. In countries such as Colombia, El Salvador and Mexico, over 50% of income is derived from the waged labour market.

Figure 1. Labour Market Linkages % of households with members in waged employment and ratio of waged income as regards total income



% with some member of the household employed (waged) Ratio of dependent income/total household income
Source: Country reports
Generated by the report authors

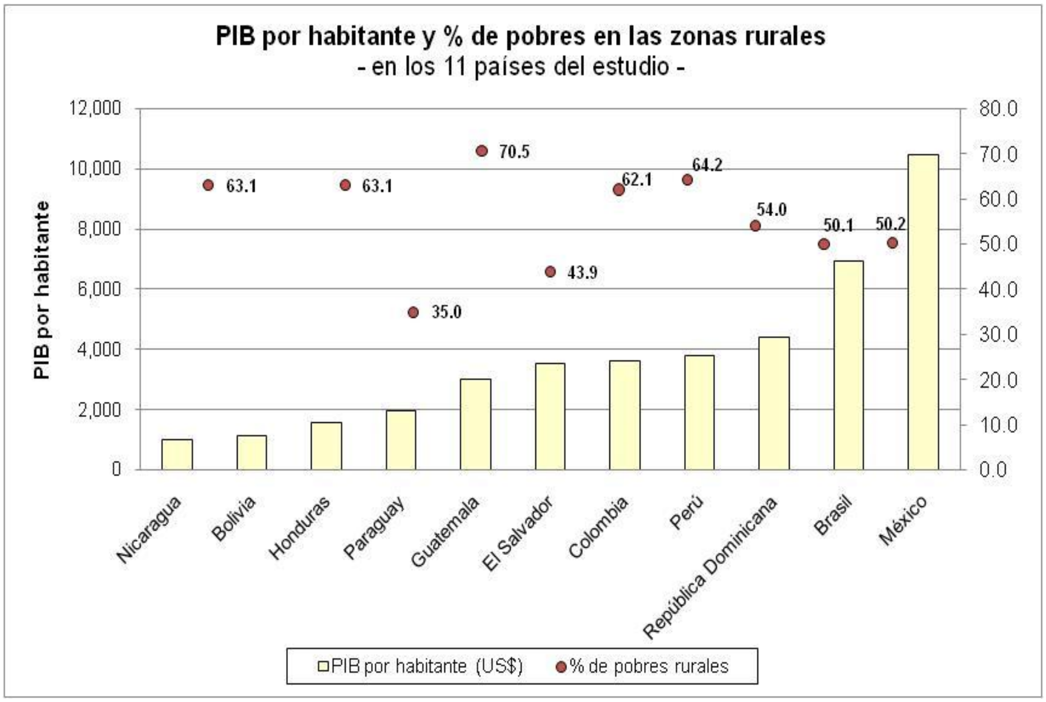
- ***An older population.*** Heads of households in rural areas have an average age of 47 years[21]. Additionally, in all the countries studied, we found that migratory flows to urban areas or other countries have created a lower population among the 14 to 30 year-old age groups. Colombia, where the effect of violent conflict is present, is a clear example of population displacement towards urban zones: in the last few years the rural population has dropped from almost 50% to 26%

21 See Table A.3 in annex 2 for some social characteristics of the households in the countries studied.

of the national total. In Peru, this is a characteristic of small commercial agriculture, linked to the process of land struggles (and agrarian reform), along with migratory phenomena over the last few decades[22].

Apart from all the aforementioned characteristics, it is common to find that a high percentage of the population in rural zones lives in conditions of poverty: in 10 of the 11 countries studied, rural poverty affects over 40% of the rural population[23] (see figure 2).

Figure 2. GDP per inhabitant and % of poor living in rural zones in the 11 countries studied



GDP per inhabitant (US$) - % of rural population in poverty
Source: Country reports
Generated by the report authors

There are also key differences between the 11 countries, particularly regarding the weight of remittances for rural households. Country reports show that remittances are very important in Central American countries: in the case of El Salvador, 21.6% of

22 See Trivelli et al (2007).
23 Except for Paraguay, where the poverty rate in rural areas was always higher than in urban areas up to 2005, when there was a turn around and urban poverty became more dominant.

rural households receive remittances, making up on average 12.5% of household income. In Honduras 13% of rural households receive remittances, representing also 12.5% of total household income. In Mexico and the Dominican Republic, 25% of households receive remittances, an average of 21% and 26%, respectively, of household incomes. In countries such as Brazil, Colombia and Peru, however, less than 10% of rural households receive remittances, or 5% of household income.

2.2. Rural Poverty

The rural territories of the countries studied are characterised as being areas of "hard" poverty, where more than 20% of households face a situation of extreme poverty[24], a situation that has changed little over the last decade[25] (see Table 10). Rural zones also present high levels of inequality: in all cases studied, the Gini index for income or consumption is above 40%. Levels of severe poverty (FGT 226) are more than 10%.[27]

Moreover, the distance of the average household spending from the rural poor to the poverty line (poverty gap – FGT1) is more than 20%, or rather, average spending (or income, depending on the definition of poverty in each country) of the poor was at least 20% lower than the value of the poverty line[28].

Table 10. Percentage of the population living in poverty and indigence in the 11 countries studied (Provisional comparison)

Country	Year	Poverty		Extreme Poverty	
		National	Rural	National	Rural
Bolivia	1999	60.6	80.7	36.4	64.7
	2005	62.7	75.8	24.9	59.0
Brazil	1996	35.8	55.6	13.9	30.2
	2007	34.3	50.1	10.0	21.3
Colombia	1994	52.5	62.4	28.5	42.5
	2006	45.0	62.1	12.0	21.5

24 Honduras and Peru are the countries with the highest percentage of the rural population living in extreme poverty, accounting for 49.5% and 32.7%, respectively.
25 Although over the course of time, levels of rural poverty and extreme poverty have been progressively albeit slowing going down.
26 FGT 2 (severe) measures inequality in the spending of the poor.
27 See Table A.4 of annex 2 for some economic indicators of the countries studied.
28 Except in Paraguay, where the value of FGT1 stands at 15%.

El Salvador	1995	54.2	64.4	21.7	29.9
	2007	34.6	43.8	10.8	20.1
Dominican Republic	2002	47.1	55.9	20.7	28.6
	2004	44.2	54.0	16.8	22.0
Guatemala	1998	61.1	69.0	31.6	41.8
	2005	51.0	70.5	15.2	24.4
Honduras	1994	77.9	80.5	53.9	59.8
	2008	59.2	63.1	36.3	49.5
Mexico	1994	45.1	56.5	16.8	27.5
	2006	38.0	50.2	12.0	16.1
Nicaragua	1993	73.6	82.7	48.4	62.8
	2005	59.2	63.1	36.3	46.1
Paraguay	2001	61.0	73.6	33.2	50.3
	2007	35.6	35.0	19.4	24.4
Peru	1997	47.6	72.7	25.1	52.7
	2007	38.9	64.3	13.6	32.7

Source: ECLAC (2008a). Country Reports
Generated by the report authors

These characteristics have led governments to invest in policies focused on poverty in rural sectors. The predominant strategy adopted has focused on interventions to "alleviate poverty" [29], with only a few measures for interventions geared towards the type of rural development that could provide inhabitants with instruments to integrate more markets much more effectively. The present relationship between the rural population and the markets is plagued by imperfections, increasing the population's susceptibility to different types of shocks.

The results of studies for each country show that this is a central issue, as the households most susceptible to falling into the poverty trap are those whose incomes depend largely on agricultural activities linked to the markets, and which present low educational levels among household members. Additionally, one result we should highlight in the majority of countries is that the amount for public or private transfers

29 Apart from some important initiatives, such as Procampo in Mexico, or targeted programmes in Peru such as Sierra Sur, a Puno-Cusco Corridor Development Project, and Incagro, etc. There is a growing tendency in Latin America towards the development of Conditional Cash Transfer Programmes, with schemes to mobilise grassroots savings, which seek to reduce poverty via the creation of assets.

do not demonstrate a close association with poverty reduction (except in the cases of Brazil and Paraguay).[30]

One important issue which has not received proper attention in the analysis per country is the relationship between rural poverty and the indigenous population. Specific studies on this area such as Hall and Patrinos (2006) found that the indigenous population does not only represent a significant proportion of Latin America's overall population, but also tends to be poorer than any other population group. What is more, this specific sector has not benefited from poverty reduction programmes, or has been the focus of programmes that do not take into account (or in the best of cases remain neutral) aspects such as: the conditions faced by indigenous peoples, which tend to be related to factors of discrimination and unequal opportunities, and restricted access to education and health, for example. In the case studies we find that in Brazil, Guatemala and Peru the households most susceptible to fall into poverty are those which are predominantly indigenous. Furthermore, in the case of Bolivia, most of the indigenous population live in the poorest territories.[31]

2.3. The at-risk inhabitants of rural areas

Apart from the group of rural poor, in the 11 countries covered by this study we identified a group of households in an at-risk condition, with a high possibility of falling below the poverty line. These at-risk households in rural areas are very similar to the poor households within the context of the present financial crisis, owing to their limited access to public and private services, low levels of education of household members, and limited possession of assets. This is to say, these non-poor households (according to poverty measurements) are very similar to poor households, being much closer to the latter than they are to the upper quintile, formed by the wealthiest inhabitants of rural territories.

30 See Table A.5 of annex 2 for the results of estimates for the probability of being poor in rural zones in the counties studied.

31 In 2006 and within the framework of its National Development Plan, the Ministry of Planning for Development of Bolivia carried out an experiment to group together municipalities in five territories according to the conduct of the index of non-satisfied basic needs, poverty threshold, moderate poverty, indigence and marginality, discovering that in territories 1, 2 and 3, the majority of the population was indigent, being also predominantly indigenous (93%, 87% and 80%, respectively).

As regards the educational levels of the members of at-risk households, we found that they barely equalled a primary educational level or less, placing them in the labour market as part of the non-skilled labour force, and so reducing any chances of social mobility. However, this shared characteristic (low educational level) has differential effects on the labour income received by households: in El Salvador, Honduras and Nicaragua, approximately 40% are employed in manufacturing (mainly maquila industries). In Mexico, 20% work in the agricultural sector, and 22% have waged work in secondary activities (manufacturing/maquilas). In Peru, only 10% of households in this group are linked to the formal labour sector.[32] This is to say, the differences in access to the wage labour market will influence the labour income associated with manufacturing activities or formal agricultural work in the export sector, which are both activities likely to suffer the effects of the financial crisis.

Furthermore, these at-risk households have a higher consumption level in the goods market. For example, in El Salvador it was found that the cost of water and electricity services and other combustibles represented 15.9% of household spending, while transport costs represented 10.4% of spending. In Mexico and Peru, we found that 59% and 68% (respectively) of consumption is affected by the goods market, and 67% of agricultural expenditure passes through the supplies market, making such expenditure vulnerable to inflationary shocks as a result of higher prices for oil and its derivatives.

Country reports show that income from remittances is important in these groups of at-risk households in rural zones, but not as much as in the hard core of rural households (although such incomes are equally important for at-risk as they are for poor households, i.e. quintiles 1 and 2), given that in the countries of Central America remittances represent 10% of household income (El Salvador, Honduras and Nicaragua, for example). In the countries of South America such as Peru, income from remittances represents less than 3% of household income.

32 We consider formal work to be that which is represented by waged work and where the person involved receives some form of insurance.

2.4. Effects of the financial crisis on rural areas

As mentioned previously, the main effects of the financial crisis in the countries studied are related to a contraction of external demand, which will affect countries according to their level of trade liberalisation, and the shortage of international liquidity, which will heighten domestic interest rates and restrict the flow of remittances. Both situations will affect the countries of Latin America, constricting internal demand, raising unemployment, and will have a negative impact on fiscal receipts (due to reduced internal and external demand), which will bring as a consequence reductions in social spending and investment by the governments.[33]

Table 11 summarises the main negative effects of the crisis that have been identified in the 11 countries studied. We find that almost all the countries show a fall in remittance flows, although this reduction is more pronounced in the countries of Central America (El Salvador, Guatemala, Honduras, Mexico and Nicaragua) and the Dominican Republic, where the percentage of households receiving remittances represents more than 20% of households at both national and rural level, and where remittances make up more than 25% of household income. In the countries of South America, the effect is more moderate.[34]

The greatest negative impact in the economies of the countries analysed is, undoubtedly, the fall in external demand for goods produced by agriculture, mining and manufacturing (textiles, mainly from maquilas). There have been clear effects on urban employment reported in each one of the countries studied (in the industrial sector and part of the mining industry) and on rural employment (the agricultural export and mining sectors) which will lead to changes in the distribution of rural income and in the inequality levels of households at both national and rural level. There are clear indications that in countries such as El Salvador, Honduras and Mexico, the drop in demand in the textile sector (maquilas) will affect urban and rural

33 The international crisis has meant a reduction from oil revenues (owing to the fall in the international price of petroleum) in counties such as Ecuador and Venezuela (counties that do not form part of this study), which has already had an affect lowering the public sector budget. In the case of Ecuador, oil revenues make up 38% of the budget income, and the State has now reduced public spending through reductions in public-sector wages, including those of the armed forces.

34 Even in the case of Brazil, Paraguay and Peru there has been no effect.

employment.[35] In the case of mining production countries such as Bolivia and Peru, the reduction in mining activities will cause a drop in urban and rural employment, affecting the income of households that combine agricultural income with waged employment.[36] In Bolivia, for example, redundant mine workers are expected to return to the agricultural activity of consumption by the producer.

In total, 10 of the 11 countries considered in this study have not modified their social policies or their levels of government investment for 2009, except the Dominican Republic, where government transfer programmes are of a pro-cyclical nature, and social spending has been reduced from 39% of the State budget in 2007, to 37.7% in 2008, and an estimated 37.3% of the budget in 2009.[37]

35 In the case of Mexico, for example, the unemployment rate is estimated to reach 5.1%, and the underemployment rate 7.8%.
36 Which in the case of Peru corresponds to quintile 4, and to quintile 2 in the case of Bolivia
37 According to the country report for the Dominican Republic

Table 11. Summary of main negative effects by country

	Indicator	Expected Situation	Possible Effect	Group Affected
Bolivia FGT 0 = n.a. FGT 1 = n.a.	Contraction of internal demand	Decrease in the price of minerals and hydrocarbons	Decrease in mining employment Return of mining labour force to agricultural sector/consumption by producer	Households in the second income quintile, where 18% of income is derived from waged labour in the mining industry
		Decrease in volume of agricultural exports	Increase of agricultural activities for consumption by producer	Affects 41% of households that produce export crops
	Lower flow of capital	Decrease in flow of remittances	Decrease in family income of households that receive remittances Decrease of internal demand	Rural households in quintiles 4 and 5, or rather, the sector's non-poor, and where remittances represent around 10% of total income
Brazil FGT 0 = 0.51 FGT 1 = 0.25	Lower flow of capital	Decrease in investment flows for agricultural activities	Decrease of seeded areas and less use of fertilizers	Affects rural households of small commercial producers of export and industrial crops
Colombia FGT 0 = 0.62 FGT 1 = 0.30	Contraction of external demand	Decrease in volume of industrial exports	Decreased employment in different industrial sectors such as assembly plants for motor vehicles and clothing industry	Unemployment has grown, from 13.1% in January 2008 to 14.2% in January 2009, affecting above all urban households, where approximately 28% of income is from non-agricultural waged labour
	Lower flow of capital	Decrease in flow of remittances	Decrease of family income in households that receive remittances Decrease of internal demand	Middle-income and low-resource households, although moderately, as remittances represent less than 5% of household income.
		Decrease in flow of investment	Uncertain: up to now investment levels have remained stable owing to the reduction in interests rates	If there is a fiscal adjustment, the social programmes (except Families in Action and Together) will suffer cuts, affecting poor rural households
El Salvador FGT 0 = 0.44 FGT 1 = n.a.	Contraction of external demand	Decrease in volume of *maquila* exports	Decreased employment in the manufacturing sector (maquila) Decrease of wages in this sector	Households in the 3rd quintile of per capita spending, or rather, the at-risk non-poor, where the income for non-agricultural waged labour represents 38% of total income
	Contraction of internal demand	Decrease in government tax revenues	Elimination of subsidies for electricity, propane gas and public transport	All households, especially the at-risk non-poor (directly affected at their consumption level of basic services)

			Increase of household spending	
	Lower flow of capital	Decrease in flow of remittances	Decrease of family income in households that receive remittances Decrease of internal demand	22.7% of urban households and 21.6% of rural households that receive remittances from abroad, where 7.4% and 12.5% (respectively) of their income is derived from such transfers.
		Decrease in flow of investment for maquila and construction	Decrease of employment in manufacturing sector (maquila) and construction sector	All households, particularly the at-risk non-poor and the rural households

n.a. Not available

FGT 0 and FGT 1 correspond to indicators of the poverty rate and gap (respectively) in the rural context.

Source: Country reports.

Generated by the report authors.

Table 11. Summary of main negative effects by country (continued)

Country	Indicator	Expected Situation	Possible Effect	Group Affected
Guatemala FGT 0 = 0.71 FGT 1 = 0.29	Contraction of internal demand	Decrease in government's fiscal income	Reduction in regional policies to support the rural poor	All households
	Lower flow of capital	Decrease in flow of remittances	Decrease in the family income of households that receive remittances Decrease in internal demand	Households in quintile 3
		Decrease in flow of investment in infrastructure	Decreased employment	Priority population in the 125 municipalities with the greatest amount of poverty
Honduras FGT 0 = 0.63 FGT 1 = 0.31	Contraction of internal demand	Decrease in volume of *maquila* exports	Decrease in formal urban employment in the manufacturing (*maquila*) industry Return of unemployed workers to rural areas	Formally employed urban households that depend on manufacturing At the national level, 23% of all household income comes from dependent non-agricultural activities.
		Decrease in volume of agricultural and livestock exports	Decrease in agricultural employment linked to agro exports and decrease in sales of the homes linked	Reduction in employment will affect 14% of households in quintile 4 and 24.6% of quintile 5, where 15% of household income comes from dependent agricultural

			to crops for exportation	activities. Reduction in exports will affect 24% of the households that produce crops for export.
	Lower flow of capital	Decrease in flow of remittances	Decrease in the family income of households that receive remittances Decrease in internal demand	Households in rural and urban areas Specifically, 13% of rural households that receive remittances, which represent 12.5% of the income of rural households.
Mexico FGT 0 = 0.50 FGT 1 = 0.21	Contraction of internal demand	Decrease in volume of *maquila* exports	Decrease in employment in the manufacturing (*maquila*) sector Decrease in internal demand	All households Unemployment is expected to reach 5.1% in 2009 and underemployment 7.8%. 65% of income comes from dependent non-agricultural activities at the national level.
	Lower flow of capital	Decrease in flow of remittances	Decrease in the family income of households that receive remittances Decrease in internal demand	Households in rural and urban areas. The flow of remittances dropped by 11.9% during January 2009 alone as compared to the same month during the previous year. Remittances represent approximately 21% of the income of rural households.

FGT 0 and FGT 1 correspond to indicators of the poverty rate and gap (respectively) in the rural context.

Source: Country reports.

Generated by the report authors.

Table 11. Summary of main negative effects by country (continued)

Country	Indicator	Expected Situation	Possible Effect	Group Affected
Nicaragua FGT 0 = 0.63 FGT 1 = 0.31	Contraction of internal demand	Decrease in volume of agricultural and livestock export	Decrease in employment in the agricultural and livestock sector	40% of the rural population that has dependent employment 15% of all rural household income comes from dependent agricultural activities.
	Contraction of internal demand	Uncertain, though a decrease in the government's fiscal income is anticipated.	Decrease in donations and government transfers in the rural context	All rural households, where transfers from public and/or private donations represent 4.8% of total income.
	Lower flow of capital	Decrease in flow of remittances	Decrease in the family income of households that receive	The 20% of the rural population that receives remittances from abroad

			remittances Decrease in internal demand	
		Decrease in flow of transfers from the public sector	Decrease in the petroleum fund contributed by Venezuela	All rural households, where transfers from public and/or private donations represent 4.8% of total income.
		Decrease in flow of funding for agricultural activities	Decrease in surface area planted by small agricultural producers	68% of rural households that work in agricultural and livestock activities, where self-generated income for such work represents 32.8% of the families' total income
Paraguay FGT 0 = 0.35 FGT 1 = 0.15	Contraction of external demand	Decrease in volume of export by manufacturers in sectors like textiles and footwear	Decrease in employment in the manufacturing sector	Urban households. At the national level, income from non-agricultural dependent activities represents 26.6% of total income.
		Decrease in volume of agricultural exports (cotton and soy)	Decrease in employment in the agro-export sector and decrease in sales by homes linked to export crops	Reduction in rural employment where 5% of income comes from dependent agricultural activities. Reduction of agro exportation will affect 70% of agricultural households that cultivate crops for export.
	Lower flow of capital	Decrease in flow of remittances	Decrease in the family income of households that receive remittances Decrease in internal demand	Rural and urban households. Remittances are expected to decrease by 11 to 13%.
Peru FGT 0 = 0.65 FGT 1 = 0.25	Contraction of external demand	Decrease in volumes of traditional (mineral) exports and manufacturing and textiles	Direct decrease in urban employment with a direct impact on dependent incomes (decrease in the same)	Layoffs in the textile and manufacturing sector will affect urban coastal households. Layoffs in the mining sector will affect urban households in the mountains. At the national level, non-agricultural dependent income represents 39% of total household income.

FGT 0 and FGT 1 correspond to indicators of the poverty rate and gap (respectively) in the rural context.

Source: Country reports.

Generated by the report authors.

Table 11. Summary of main negative effects by country (continued)

Country	Indicator	Expected Situation	Possible Effect	Group Affected
Dominican Republic FGT 0 = 0.54 FGT 1 = 0.19	Contraction of external demand	Decrease in volume of textile exports	Decrease in employment in the textile sector	Rural households employed by the textile sector
	Contraction of internal demand	Decrease in activities of rural and urban micro and small businesses	Decrease in employment in this sector	All rural households have micro or small non-agricultural businesses, particularly those led by women. This is especially true of families in the first quintile that are led by women or senior citizens (26 and 27%, respectively).
		Decrease in flow of transfers from the public sector	The government refused to grant 10% of the national budget (as established by law) to the *ayuntamientos* (local governments).	Rural residents receive fewer transfers.
	Lower flow of capital	Decrease in flow of remittances	Decrease in the family income of households that receive remittances Decrease in internal demand	25% of all households that receive remittances, which represent 25% of the household income. Specifically, 6% of the rural population, or 202,980 people, 54.4% of whom are poor.

FGT 0 and FGT 1 correspond to indicators of the poverty rate and gap (respectively) in the rural context.
Source: Country reports.
Generated by the report authors.

3. Plans for dealing with the crisis and the response of governments

The countries of the region reacted to the global financial crisis and increasingly negative forecasts for growth of the world economy by announcing and implementing diverse types of measures. The macroeconomic fundaments of most of the countries are a good deal more solid than they have been during previous crises. The region recognizes that it is by no means immune to the impact of the crisis and that there is a need to make counter-cyclical public policy efforts in order to minimize the effects of the projected decrease in global and regional growth to the greatest extent possible.

Similarly, during the G-20 meeting in London, a decision was made to increase the provision of resources in order to better face the crisis.[38] In the case of Latin American economies, the announcement of an increase in IDB capital reflects this tendency. This offer of resources can be an opportunity to impact social programmes and productive projects designed to improve conditions for generating income in the poorest sectors, thus creating employment and a basis for future development. But these greater external resources represent a challenge for governments in that they also will require a more dynamic, proactive, sophisticated, and well-organized public apparatus that can absorb the offer of funding efficiently and effectively. This is particularly relevant in the case of resources that go to the rural context, which generally has more precarious institutional structures.

The measures that the countries in the region are adopting do not only differ from one another because they respond to each country's specificities and thus have unique characteristics. They also are different in regard to the capacities that they put into play, which are determined by the availability of resources (fiscal space, international reserves, lines of credit from the exterior, institutional capacity within the public sector) and the institutional sophistication that is available for implementing them.

38 It is likely that the increase in assigned resources for the IMF will have repercussions in developed economies before it will in Latin America.

In general, the monetary policies adopted by the countries respond to an effort to increase liquidity so as to maintain the necessary flow of credit to the private sector. However, this greater liquidity does not guarantee more credit, and more credit does not guarantee a greater demand for local goods. As a result, the greater efforts are concentrated in counter-cyclical expansive fiscal policies.

Changes to fiscal policies can involve either lowering taxes or implementing spending increases. Lowering taxes does not necessarily guarantee a greater demand for goods given that the increase in disposable income can be used for savings, particularly in a context of uncertainty like the current one.

On the other hand, the option that involves an increase in spending has two tendencies with differing reaches. The first is direct cash transfers, which may be more efficient but also require a good focalization system. The second is investment in infrastructure. Here the impact of the projects or actions on employment and the demand for local goods will vary depending on the type of investment. It also depends on the existence of projects that are properly evaluated and approved on a timely basis. (It is important to recall that public sectors tend to have complex processes for approving and especially for implementing new projects.)

We will focus on the analysis of fiscal policy given its relative important for the rural context. Table 12 shows that most of the countries analyzed in this document opted to increase spending or public investment rather than lowering taxes or increasing direct cash transfers, except in the case of the Dominican Republic. Also, most countries have taken action mainly in the infrastructure sector (housing and public works, and especially roads) due to the boost that construction gives the economy and job creation. Finally, most countries opted for social programmes, except for Mexico, which has developed specific employment programmes.

Table 12. Measures adopted by the 11 countries studied

Country	Policy	Actions
Bolivia	Increased public investment	Increase in public investment of 20.6% over 2008 ($1,871,000,000) -$690 million for building roads -$200 million in urban and housing projects
Brazil	Maintaining social spending	Federal and state governments decided not to cut spending in view of the 2010 elections.
	Maintaining investment in infrastructure	Maintained through the Growth Acceleration Program
Colombia	Maintaining or increasing investment in infrastructure	The government announced the execution of a Shock Plan valued at around $25,000,000,000. There have been no new announcements, clarifications or developments as of yet.
El Salvador	Increase in social spending	It is expected that the Solidarity Network will be strengthened through increases in cash transfers to households.
Guatemala	Maintaining or increasing social spending	Priority will be placed on funding infrastructure in education and health as well as a conditional cash transfer programme.
	Maintaining or increasing investment in infrastructure	Public investment in roads and highways (Northern Transversal Strip)
Honduras	Maintaining or increasing social spending	Broadening of conditional cash transfer programme from 150,000 to 220,000 families in the country's poorest municipalities (compensation program).
		$20 million for conditional cash transfer programme for families living in extreme poverty
Mexico	Increasing social spending	1. Budgetary increases for the National Employment and Training System and the Temporary Employment Program. 2. Creation of the Job Preservation Program. 3. Strengthening of the National Employment Service. 4. Extension of coverage for medical and prenatal care for unemployed workers and their families.
	Increasing investment in infrastructure	1. Additional spending on infrastructure 2. Reform of the PEMEX investment structure to accelerate spending on infrastructure. 3. Construction of an oil refinery. 4. Increase in resources destined to public investment in infrastructure. 5. BANOBRAS and National Fund for Infrastructure will grant credits for guaranteeing the execution of the main projects with private participation for this year.

Source: Country Reports

Generated by the report authors

Table 12. Measures adopted by the 11 countries studied (continued)

Country	Policy	Actions
Paraguay	Maintaining or increasing social spending	Conditional cash transfer programme to benefit 120,000 families living in extreme poverty: US$50 million.
	Maintaining or increasing investment in infrastructure	Investment in social road and housing infrastructure in the amount of US$223.4 million
Peru	Maintaining or increasing social spending	1. The government has assigned an additional US$190 million to social programmes and support for workers. 2. A line of US$2010 million is being generated as a contingency in the World Bank 3. Social programmes are being restructured.
	Maintaining or increasing investment in infrastructure	1. Accelerating spending on investments in projects that the government already had planned in the amount of US$1,725 million. 2. Maintaining construction through the financing of mortgage credits and water and drainage projects involving US$1,076 million.
Nicaragua	Maintaining spending levels and investment in local governments	1. The government is assigning US$192 million for a competitive fund (FONIPREL) for regional governments. 2. US$134 million is being set aside for the rehabilitation of medical facilities and catering channels run by local governments. 3. Approximately US$186 million will be put into regional trusts in order to maintain transfers during 2009 and 2010.
Dominican Republic	Maintaining or increasing social spending	1. The government has generated $380 million with the World Bank and $350 million with IDB for budgetary support. 2. The government has granted a subsidy of RD$700 per month per household for the consumption of basic foods for 462,000 households. 3. The government has promised to increase the budget for education by RD$4500 million, subject to an external loan.
	Maintaining or increasing investment in infrastructure	Highway construction program (VIADOM 2007) that will cover 990 kilometres of roadways and involve an investment of US$70 million.

Source: Country Reports

Generated by the report authors

It is important to emphasize that the great majority of countries have decided to broaden their conditional cash transfer programme in order to minimize the effects of the crisis in the poorest areas. Progresa/ Oportunidades in Mexico, Bolsa Familia in Brazil, Juntos in Peru, Familias en Acción in Colombia, Red Solidaria in El Salvador, Red de Protección Social in Nicaragua, PRAF in Honduras, and Solidaridad in the Dominican Republic have increased or maintained their levels of services for those living in extreme poverty. One would expect most of this increase to be concentrated in urban areas. In any case, it is important for the broadening of coverage to include exit strategies, particularly in the current context in which "temporary" poor community members will appear. The exit strategy will ensure that the increase in fiscal spending will not be permanent, particularly in light of uncertainty regarding the duration of the crisis.

Many of the anti-crisis initiatives that involve productive sectors come from ministries of the economy or social ministries. This puts pressure on the sustainability of these initiatives if we consider that the productive sectors are to lead the growth of countries in the long-term. Even in countries in which specific anti-crisis policies have been developed in the agricultural sector, as occurred in Peru and Nicaragua, these policies only generate temporary employment or help cover production costs (supplies) for agricultural producers rather than allowing rural community members to develop alternative sources of income.

In the case of Brazil and Paraguay, direct support for agriculture is observed through the financial sector. In both cases, the governments have ensured the provision of credit for the sector. Even so, in both countries sectoral support is minor when compared to the entire set of efforts being deployed by governments, in which social policy measures take central stage (as is the case in Mexico and Peru).

4. Areas to work in order to avoid a deteriorating situation for rural inhabitants and/or how to manipulate the crisis to favour rural development

While the greatest challenge in rural areas is identifying the mechanisms of transmission of the crisis in each country and policies that can be used to counteract them, we can conclude that in these contexts there is a need to induce support projects for agrarian policies, particularly those directed at small agriculture and family farms. The objective of these policies for the rural population is clear: to ensure that the crisis does not cause more problems, particularly for the rural poor, and to allow the population that will fall into poverty temporarily to take refuge in independent productive activities (agricultural).

New policies present an opportunity to promote and renew the rural context by improving protection mechanisms that are already available to rural households and promoting new opportunities for broadening their strategies for diversifying future income while improving levels of food safety. While these are medium-term actions, they complement existing short-term initiatives.

As we see in Table 13, based on the country studies, we propose as key topics of short-term intervention measures to mitigate the effects of the crisis that coincide to a greater or lesser degree with the actions that the governments are implementing. These include compensation policies for reductions in the flow of support from family members living abroad (remesas), temporary employment structures (through public investment stimuli, particularly infrastructure), and social policies (especially the widely disseminated conditional cash transfer programmes). These reactions require rapid implementation in order to ameliorate the impact of the crisis and avoid increases in poverty (and reductions in the availability of assets of households in order to ensure that they do not fall into poverty traps.).

However, our main message is that we must not lose the opportunity to complement these short-term mitigation measures with medium-term actions directed at revitalizing the rural environment through efforts to develop new income generation options in agricultural and non-agricultural sectors. The role of small commercial agriculture and family farming is key in this context both as a refuge for those that are directly affected by the crisis (such as through job loss) and as an opportunity for future development.

Table 13. Recommended actions for confronting the crisis

<table>
<tr><th colspan="2">In the short term
(for mitigating shock for the poor)</th><th colspan="2">In the medium- and long- terms
(for revitalizing the rural context)</th></tr>
<tr><th>Action</th><th>Objective</th><th>Action</th><th>Objective</th></tr>
<tr><td>Support reception programmes</td><td>To reduce the cost of sending support from abroad so that the household will have a greater part of the income.</td><td rowspan="2">Programmes to improve family farming (technical assistance, agrarian insurance, etc.)</td><td rowspan="2">To increase food safety, reducing vulnerability to future negative shocks and offering refuge from dips in non-agricultural employment.</td></tr>
<tr><td>Public investment and employment programmes</td><td>To generate employment and diminish the effects of unemployment in some sectors</td></tr>
<tr><td>Broadening coverage of conditioned transfer programmes</td><td>To respond to the population that is falling into poverty and extreme poverty</td><td rowspan="2">Programmes to support non-agricultural rural businesses</td><td rowspan="2">To diversify income for rural households, improving opportunities for accessing financial services and increasing/improving rural labour markets</td></tr>
<tr><td>Non-contributory pensions</td><td>Given that rural homes are relatively “old,” this option is an alternative to conditional cash transfer programme</td></tr>
</table>

Generated by the report authors.

Furthermore, these policies must not leave aside the need to coordinate the various programmes (such as developing employment programmes that include productive training and promote the creation of rural businesses), focusing on poor and at-risk territories (as we have seen in the country reports, they are easily identifiable).

4.1. Four key areas to work on

Development policies should be focused on decreasing the effects of the reduction in support sent by family members who live elsewhere, generating temporary employment and other strategies that allow households to generate income in the future. They also should promote family farming, including subsistence farming, without leaving social policies aside. As Table 13 shows, we can identify three topics on which to work in a rapid and creative manner in the short-term: family support reception programmes, temporary employment, and social policies. In the medium-term, we should work on sectoral policies for promoting agricultural business and developing subsistence farming and non-agricultural businesses that favour new sources of income for rural households.

Family Support

As has been widely documented, support received from family members who have migrated to a city or foreign country represent a significant flow of resources in many countries in the region, particularly Central American countries both on aggregate (as the entry of capital) and private levels (as additional income for the families at the household level). One effect of the crisis is that the quantity and frequency of such support will decrease, affecting both the external accounts of several countries and household income, with significant effects on rural poverty. Table 14 presents this impact.

Table 14. Impact of reduction in family support

	External accounts	Rural families	Measures adopted
Bolivia	Decrease of 30% as compared to 2008	Moderate effect: family support from abroad represents approximately 10% of total household income	None
Colombia	n.a.	Moderate effect: family support from abroad represents less than 5% of total household income	None
El Salvador	Family support represents nearly 20% of the national GDP, and there has been a 15% decrease since January 2009	Severe effect: Family support represents 12.5% of the income of rural households, where 21.6% of households receive such support (nearly one fourth of the population)	Current government: none Government-elect: Subsidies for individuals who receive family support
Guatemala	There has been an 11.9% drop in family support since January 2009.	Severe effect: In low-income households (1st-3rd quintiles)	External funding to ensure resources for social protection networks and offer of public services (education and health) in order to complement the conditional cash transfer programme.
Honduras	There has been an 11% decrease in family support since late 2009.	Severe effect: Family support represents 12.5% of the income in rural households. Such support is received by 13% of rural families.	None
Mexico	The amount of family support received in January 2009 was 11.9% lower than the amount from the same month in 2008.	Severe effect: Family support from abroad represents approximately 21% of the income of rural households.	None
Nicaragua	During the last quarter of 2008, family support increased by only 0.14% as compared to the	Severe effect on the 20% of the rural population that receives such support.	The government is making an effort to reach agreements with Costa Rica in order to facilitate legal temporary migration so that workers can obtain

	same quarter during the previous year.		salaries in Costa Rica.
Paraguay	10-15% decrease in family support.	Moderate effect on the population that receives such support.	None
Dominican Republic	There has been a 10% decrease in family support from abroad during 2009.	Severe effect: 25% of the country's families receive this form of support, which represents 26% of the household income.	None

n.a. Not available

Source: Country reports.

Generated by the report authors.

As Table 14 shows, in nine of the 11 countries studied, the decrease in family support sent from abroad will have a significant impact on the poverty rate (except in Peru and Brazil, where the effect is nil). As a result, steps should be taken in those countries that allow households that receive family support from abroad to compensate for the decrease in such income. The priority is Central American countries in which family support represents an average of 12% of the income of rural households. The main issue is generating simple, temporary actions (with automatic mechanisms for closing the programmes once the crisis has passed) that will ideally generate adequate incentives for developing other activities for generating income or at least a set of positive externalities. For example, countries could implement conditional cash transfer programme for those who currently receive family support that could also encourage participants to receive those monies through the financial system by coordinating policies with the goal of including more people in the system.

Temporary rural employment and new opportunities for generating income

One of the most important effects of the crisis will be reduced opportunities for employment in rural communities, and will be felt more intensely in the households that we have called vulnerable. These families are most dependent on their labour income and relationships with urban (and external) markets.

As we have seen, the vulnerable group obtains between 10 and 40% of its income through employment that is dependent on agricultural and non-agricultural labour activities. The decrease in both sectors (particularly those related to manufacturing and agricultural exports) will not only lead to a drop in income but also will allow them to have more availability of labour in the home. It is highly probable that this surplus labour will be utilized in agricultural activities in the family farm (as is clear in the case of Bolivia with the transfer of mining workers to agriculture for private consumption). This is also an opportunity for these families to launch or strengthen non-agricultural rural activities that generate income and allow them to diversify their sources of income and partially recover their levels of consumption while reducing their levels of vulnerability to future shocks.

The options for diversification of sources of income are key in strategies for managing the vulnerability of rural households, particularly in times like these. It is important to recall that rural families in every country complement their agricultural and livestock activities with other economic initiatives like businesses. (This is especially true in countries like the Dominican Republic, where approximately 26% of rural households have micro or small businesses.)

While it is desirable for the families to try out new ways of generating income on their own, it is important to mitigate the impact of the changes that have taken place in the job market. As a result, there is an important space for generating options for temporary employment in rural areas, as several countries in the region have been promoting. Temporary employment is generally associated with maintaining infrastructure projects or building new infrastructure and helps compensate for the drop in income. However, unlike initiatives oriented towards the development of new sources of income, its temporary nature limits its sustainability.

There is a need to implement structures of transfers of assets to these households. As has been widely documented in the literature, families that become impoverished may fall into traps that keep them from recovering from their situation, even during a favourable period.[39] In other words, there is a need to keep the families that fall into poverty because of the crisis from becoming permanently poor.

39 See the work that has been done by Carter and Barrett (2006), Adato, Carter and May (2006) and Barrett, Carter and Little (2006) on this topic.

An additional issue in favour of policies for diversifying income sources by increasing income in traditional activities of the households (agricultural and livestock activities in particular) is the impact that these activities have on the entire territory in which the households are located. Many of these families are consumers of local products, and the crisis also impacts urban and rural providers. Their success in developing economic activities means that their markets, most of which are rural, will meet with success. As a result, it is important to analyze the local and regional impact of the policies that are implemented. Stimuli for specific markets can generate significant impacts in larger territories.

It is therefore important to emphasize the need to complement measures for facing the crisis effectively with rural development strategies with a broad territorial focus that allow for the generation of sustainable opportunities for rural households in better conditions for implementing development strategies that come from those families.

The opportunity to improve social policy

As we well know, the issue of rural poverty is mainly addressed through social policies in nearly every country in the region.[40] While social programmes in general and conditional cash transfer programmes in particular do not remove people from poverty and only alleviate the situation of the chronic poor, they are relevant for this segment.[41] Such programmes are exclusively rural in countries like Peru and Guatemala.[42]

In most of the countries, social policy is concentrated on the lower two quintiles of income distribution (or expenditures), that is, those living in extreme poverty. However, with few exceptions, these same groups do not have access to programmes designed to generate income or promote the development of their agricultural and livestock activity. Similarly, family farmers do not tend to receive support through social policies.

[40] This is most likely true of the 11 countries studied with the exception of Brazil, where there are sectoral program. Policies linked with the development of family farming and those oriented towards low income sectors are most common. In the rest of the countries there are specific examples but no general policies in this sense.
[41] Cash transfers may double liquidity in the poorest households.
[42] Though it is quite probable that urban areas will be expanded in the context of the current crisis.

It is also possible that the conditional cash transfer programmes will be expanded in the context of the crisis. They are inexpensive to implement, fast acting, and generate relatively few negative collateral effects. It is possible that they will be expanded to incorporate "new" segments of the poor. The greatest challenge of expanding the programmes is ensuring that from the outset they will remain temporary and include termination or exit mechanisms or graduation of beneficiaries once they move past their critical condition.

This is the weak point of the region's current conditional cash transfer programmes. As a result, an important risk of their expansion is the limited ability to close those programmes in the future.

Furthermore, given the demographic characteristics of the rural households in the region, this is a good opportunity to discuss the issue of non-contributory pensions for the rural context. Those that may be of interest include pension structures like that of Brazil, which can substitute for the conditional cash transfer programmes, or pension programmes that could include conditionalities (transferring land to younger, more educated members, for example.)

Sectoral policies for promoting subsistence farming and small commercial agriculture

It is clear that in addition to interacting with social programmes, poor rural households (extreme and otherwise) engage in subsistence agricultural and livestock activities. In many cases there is also some orientation towards the market (particularly local and regional ones). These activities are an important refuge for the poorest families and those that are at risk of becoming poor (as occurs in Bolivia). Thus, the transitional support programmes for subsistence farming related that involve coverage of production costs (distribution of agricultural supplies, monetary subsidies for the purchase of fertilizers) are essential for strengthening the role of social protection or refuge of agricultural activity when there are economic shocks. (Two examples are the efforts that are being developed by Peru and Nicaragua). However, this type of policy does not necessarily help to reduce the poverty of these rural households.

In the 11 case studies that were conducted, the importance of subsistence agriculture is highlighted in the context of the families' risk management strategies and as a refuge during times of crisis. However, the contribution of this activity to the generation of income for the home is fairly heterogeneous.

Unfortunately, there continues to be a lack of coordination among transitional programmes for supporting agriculture and programmes for promoting family farming (when they exist). The latter looks to improve small agriculture, which leads to better nutritional options, more income through the sale of products, and less dependence on social policy. This is achieved through training, technical assistance and marketing support programmes, which in turn requires complex structures for installing and implementing the programmes and relatively long execution periods. But these are the type of medium- and long-term programmes aimed at increasing opportunities for generating income in these households that can help rural families escape poverty.

5. Last thoughts: challenges for the public sector within this context

Unfortunately, the precariousness of the public institutional structure related to the rural context and the agriculture and livestock sector makes it hard to imagine that complex policies that combine short-term mitigation strategies with more medium-term actions will be developed. However, if they are not developed in a context in which the governments are looking to spend (in the context of counter-cyclical policies), it will be difficult to launch such actions, which require longer maturing periods.

The challenge is to generate a coalition of forces to mobilize resources towards policies of promotion and support of small and family farming and the development of new non-agricultural rural undertakings and not only policies of temporary mitigation. The proposals contained in the final chapter of the World Bank's 2008 World Development Report are appropriate for the current circumstances.

In order to face this challenge, we need an innovative coalition that will lobby for resources in public budgets and anti-crisis plans (where the pressure for resources oriented towards the urban will be very strong) and do so with innovative ideas. There is therefore a need for clear leadership.

In an ideal world, the natural leader for this task should be the ministries of agriculture and/or rural development. However, in most countries these are weak ministries with a limited capacity for carrying out this role. We therefore also face the challenge of generating capacities in these agencies to coordinate coalitions and mobilize ideas and resources for a more complex and sustained action geared towards reducing rural poverty, starting from the rural.

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Annexes

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Annex 2. Comparative tables of the 11 countries included in the study

Table A.1. Economic Data on the Countries Studied

	Bolivia	Brazil	Colombia	El Salvador	Guatemala	Honduras	Mexico	Nicaragua	Paraguay	Peru	Dominican Republic
GDP (in millions of current USD)	11,336	1,313,902	207,780	20,373	38,961	12,322	1,081,358	5,726	11,991	107,497	41,315
% Agriculture GDP/ Total GDP	15.2	6.0	8.2	11.2	10.8	12.3	2.4	16.9	15.3	5.4	5.9
Per capita GDP (US$)	1,130	6,938	3,628	3,546	n.a.	n.a.	10,472	1,023	1,959	3,809	4,413
2007 Inflation (annual %)	11.7	4.5	5.7	4.9	6.8	8.9	3.8	16.9	6.0	3.9	8.9
2008 Inflation (annual %)	11.8	5.9	7.7	5.5	11.4	11.3	5.8	13.8	7.5	6.2	4.5
Total population	10,227,299	189,820,330	45,195,756	5,744,575	12,987,829	7,748,230	103,263,388	5,142,098	6,054,976	29,124,335	9,361,000
Rural population	3,437,215	31,367,772	11,838,082	2,145,569	6,737,251	4,218,753	24,266,896	2,271,071	2,522,423	10,123,619	3,383,000

n.a. Not available

Source: Country Reports

Generated by the report authors.

Table A.2. Link to markets of consumption, labour and supplies by country

	Bolivia		Brazil		Colombia		El Salvador		Guatemala		Honduras	
	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural
Ratio of market spending/total spending	0.99	0.97	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.d	n.d	n.d
Ratio of agricultural market spending/ total spending by hectare	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.d	n.d	n.d
% with a member of the household employed in the formal sector	9.2	5.7	67.8	30.7	14.3	5.0	n.a.	41.6	21.0	14.1	43.3 1/	24.6 1/
Ratio of independent income/total household income	0.24	0.25	0.50	0.36	0.59	0.64	0.64	0.64	n.a.	n.d	n.d	n.d

n.a. Not available

1/ Corresponds to % of households with head of household employed in the formal sector.

Source: Country Reports

Generated by the report authors.

Table A.2. Link to markets of consumption, labour and supplies by country (continued)

	Mexico		Nicaragua		Paraguay		Peru		Dominican Republic	
	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural
Ratio of market spending/total spending	0.69	0.68	0.87	0.76	n.a.	n.a.	0.68	0.56	n.a.	0.43
Ratio of agricultural market spending/ total spending by hectare	n.a.	n.a.	0.39	0.37	n.a.	n.a.	0.65	0.64	n.a.	0.75
% with a member of the household employed in the formal sector	56.5 1/	47.8 1/	48.3	31.7	n.a.	4.1 1/	26.4	8.9	41.0	35.2
Ratio of independent income/total household income	0.70	0.54	0.42	0.35	0.35	0.23	0.42	0.28	n.a.	n.d

n.a. Not available

1/ Corresponds to % of households with head of household employed in the formal sector.

Source: Country Reports

Generated by the report authors.

Table A.3. Social characteristics of households by country

	Bolivia		Brazil		Colombia		El Salvador		Guatemala		Honduras	
	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural
Average age of head of household	39	44	47	48	48	47	49	48	45	45	47	48
Average size of household	5	4	3	4	5	5	4	4	5	5	5	5
Rate of dependents (5< and >65)	16.7	19.0	n.a.	n.a.	17.7	19.7	27.8	18.1	n.a.	n.a.	32.9	33.6
Average number of years of school completed by head of household	5	8	8	4	5	4	6	4	5	2	6	5
Greatest number of years of school completed by member of household (average)	n.a.	n.a.	10	7	10	7	9	7	5	3	8	7
% of agricultural households1/	34.8	78.1	n.a.	n.a.	28.6	77.5	18.2	43.0	n.a.	n.a.	n.a.	n.a.

n.a. Not available

1/ An agricultural household is one in which any member of the household engages in agricultural, livestock or forestry activities (including those related to the development of agricultural and livestock sub-products) as his or her main and/or secondary activity.

Source: Country Reports

Generated by the report authors.

Table A.3. Social characteristics of households by country (continued)

	Mexico		Nicaragua		Paraguay		Peru		Dominican Republic	
	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural
Average age of head of household	47	49	49	48	48	48	49	49	43	46
Average size of household	4	4	5	6	4	5	4	4	4	4
Rate of dependents (5< and >65)	24.1	32.8	22.6	22.7	18.7	20.1	21.9	26.4	17.0	17.9
Average number of years of school completed by head of household	11	7	5	3	7	5	8	5	7	3
Greatest number of years of school completed by member of household (average)	14	11	8	6	10	8	10	8	n.a.	n.a.

% of agricultural households[1/]	10.6	35.2	32.6	68.8	44.2	78.5	40.9	85.9	5.8	11.9

n.a. Not available. 1/ An agricultural household is one in which any member of the household engages in agricultural, livestock or forestry activities (including those related to the development of agricultural and livestock sub-products) as his or her main and/or secondary activity. Source: Country Reports. Generated by the report authors.

Table A.4. Poverty indicators by country

	Bolivia		Brazil		Colombia		El Salvador		Guatemala		Honduras	
	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural
Poverty - FGT0	0.23	n.a.	0.35	0.51	0.45	0.62	0.35	0.44	0.51	0.71	0.59	0.63
Gap - FGT1	0.28	n.a.	0.16	0.25	0.20	0.30	n.a.	n.a.	0.19	0.29	0.28	0.31
Severity - FGT2	0.18	n.a.	0.09	0.16	0.12	0.19	n.a.	n.a.	0.10	0.15	0.17	0.19
Poverty by group												
% Not poor	37.3	n.a.	65.8	49.9	55.0	37.9	65.4	56.2[1/]	49.0	29.5	40.8	36.9
% Poor but not extreme poverty	37.8	n.a.	24.2	28.8	33.0	40.6	23.8	23.7	35.8	46.1	22.9	13.6
% Extreme poverty	24.9	n.a.	10.0	21.3	12.0	21.5	10.8	20.1	15.2	24.4	36.3	49.5
Inequality indicators												
Gini Index	0.57	n.a.	0.55	0.51	0.56	0.46	0.46	0.40	0.45	0.35	0.54	0.54
Theil Index	0.61	n.a.	0.61	0.52	0.64	0.41	n.a.	n.a.	0.37	0.23	0.59	0.66

n.a. Not available

1/ Estimated using the EHPM 2007. Preliminary results.

Source: Country Reports

Generated by the report authors.

Table A.4. Poverty indicators by country (continued)

	Mexico		Nicaragua		Paraguay		Peru		Dominican Republic	
	National	Rural	National	Rural	National	Rural	National	Rural	National	Rural
Poverty - FGT0	0.39	0.50	0.59	0.63	0.36	0.35	0.40	0.65	0.44	0.54
Gap - FGT1	0.15	0.21	0.28	0.31	0.14	0.15	0.13	0.25	0.15	0.19
Severity - FGT2	0.08	0.11	0.17	0.19	0.08	0.09	0.06	0.12	0.08	0.11
Poverty by group										
% Not poor	62.1	49.8	40.8	36.9 3/	64.4	65.0	61.1	35.8	55.8	46.0
% Poor but not extreme poverty	26.0 2/	n.a.	22.9	n.a.	16.3	10.6	25.4	31.6	27.4	32.0
% Extreme poverty	12.0	n.a.	36.3	n.a.	19.4	24.4	13.6	32.7	16.8	22.0
Inequality indicators										
Gini Index	0.52	0.50	0.54	0.54	0.51	0.55	0.52	0.53	0.52	0.44
Theil Index	0.55	0.54	0.59	0.66	n.a.	n.a.	0.43	0.36	n.a.	n.a.

n.a. Not available

2/ Approximate estimated in function of poverty by food and capacities proportioned by consultant from Mexico.

3/ In the case of the central region (representative rural region): 37.1% live in extreme poverty, 39.7% are poor but do not live in extreme poverty, and 23.2% are not poor.

Source: Country Reports

Generated by the report authors.

Table A.5. Estimate of probability of being poor in rural areas by country (only countries with data available)

	Brazil		Colombia		El Salvador		Mexico		Nicaragua		Paraguay		Peru	
	Sign	Meaning	Sign	Meaning	Sign	Meaning	Sign	Meaning	Sign	Meaning	Sign	Meaning	Sign	Meaning
Ratio of the number of wage earners in the household to the total number of members	-	***	-	***	-	***	-	***	-	***	-	***	-	***
Age of head of household	-	***	n.d.	n.d.	n.d.	n.d.	-	***	+	***	n.d.	n.d.	-	***
Gender of head of household (h=1)	+	***	-	**	n.d.	n.d.	+	***	n.d.	n.d.	-	**	+	***
Ratio of men over the age of 18 to total household members	-	***	-	***	-	***	-	***	-	***	-	***	-	***
Ratio of women over the age of 18 to total household members	-	***	-	***	-	***	-	***	-	***	-	***	-	***
Educational level of the head of household	-	***	n.d.	n.d.	-	***	-	***	-	***	-	***	-	***
Highest educational level of a member of the household	-	***	-	***	-	***	-	***	-	***	-	***	-	***
Portion of total spending that goes to food	n.a.	n.a.	n.a.	n.a.	+	***	+	***	+	***	n.a.	n.a.	+	***
Amount of support received	n.d.	n.d.	n.a.	n.a.	n.d.	n.d.	+	***	+	***	n.d.	n.d.	-	***
Amount of public or private transfers	-	***	n.d.	n.d.	+	***	+	***	n.d.	n.d.	-	***	n.d.	n.d.
Portion of total household income that comes from agriculture	+	***	+	***	+	***	+	***	n.d.	n.d.	n.d.	n.d.	+	***
Portion of income from working of the main income producer in the household of the total household income generated through work	+	***	+	***	+	***	-	***	-	*	-	***	-	***
Indigenous (i=1)	+	*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+	***

n.d. Not determined; n.a. Not applicable

Levels of significance: (***) significant at 1 % (**) significant at 5 % (*) significant at 10 %.

Source: Country Reports

Generated by the report authors.